

Comparisons between unemployment and the claimant count

By **Andrew Machin**, Labour Market Division, Office for National Statistics

Key points

- Unemployment (as officially measured in the UK using the international standard definition) is much higher than the number of people in the claimant count, that is, those claiming Jobseeker's Allowance, especially among women. The two measures also move differently over time, though usually in the same direction.
- There has been a tendency for the gap between the two measures to widen while unemployment has been falling, and to narrow while unemployment has been rising. The variations have been proportionately similar for men and women.
- One major reason for divergence of these measures over the past few years, as unemployment has fallen, has been that many people who were previously inactive in the labour market have been encouraged by the improvement in the economy to begin actively to seek work (and thus become unemployed) but have not been claiming Jobseeker's Allowance.
- Another major factor affecting the gap is changes in the number of people becoming unemployed who are not eligible for Jobseeker's Allowance, for example, because of their partner's earnings. Conversely there will also have been variations in the number of people unemployed, but not claiming benefits, who find work.
- The introduction in 1996 of Jobseeker's Allowance and associated measures to encourage more successful job search also caused some divergence between unemployment and the claimant count between the end of 1996 and early 1997.

This article examines the number of unemployed people in the UK compared to the lower claimant count, and explores reasons for variation between the two.

Introduction

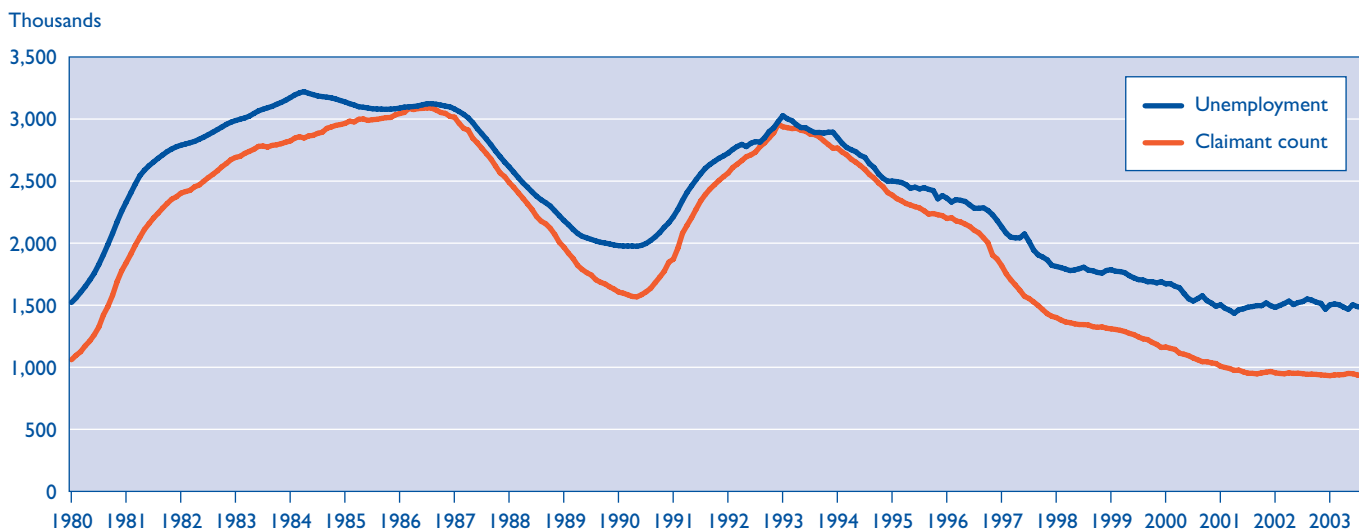
UNEMPLOYMENT AS measured by the Labour Force Survey (LFS) is currently over 0.5 million higher than the claimant count. Historically these measures have tended to move broadly in line with each other. However, the two measures are different and compiled differently.

Official estimates of unemployment are obtained from the LFS using an internationally agreed definition (the International Labour Organisation (ILO) definition) based on the number of people without jobs who are looking for work. The claimant count measures how many people are claiming

unemployment-related benefits, that is, Jobseeker's Allowance. The two are therefore subject to different fluctuations.

There have been periods when the two measures have generally diverged while unemployment has been falling. In contrast they have tended to converge when unemployment has been rising. *Figure 1* shows the path of the two measures over the past 20 years. This article explains differences between the two measures and the various factors which can cause their differing movements over time.

Figure 1 Numbers of people unemployed and claiming Jobseeker's Allowance; United Kingdom; 1980 to 2003



Source: Labour Force Survey; Jobcentre Plus administrative system

Note: for unemployment, survey data before 1984 were only available biennially, and from 1984 to 1992 they were only available annually. Where necessary the series has been interpolated between data points and adjustments made for discontinuities (see pp467-75, *Labour Market Trends*, September 2003). The interpolation has the artificial effect of making the data up to 1992 look smoother than for subsequent years.

The difference between the measures

The latest figures show a total of nearly 1.5 million unemployed in the UK compared with little more than 0.9 million in the claimant count. The difference of over 0.5 million is the largest since these measures began in the 1980s. This difference, which is concentrated among women, arises mainly because many people who count as unemployed according to the LFS are not eligible for, or do not claim, Jobseeker's Allowance. For example, they may be dependent on a partner who is earning, and so not entitled to income-based Jobseeker's Allowance. (While they may claim on the strength of their own previous National Insurance contributions, contribution-based Jobseeker's Allowance will normally cease after a period of six months.) There can be many other reasons for unemployed people not being eligible for Jobseeker's Allowance, for example, they may have left their previous job voluntarily or been dismissed for misconduct, which would usually disqualify them for 13 weeks.

While the numbers unemployed include many who are not in the

claimant count, the difference between the two measures is also affected, in the opposite direction, by a usually smaller number of claimants who are not strictly unemployed according to the LFS measure. Some may be employed, often legitimately if they are only working for a few hours and not earning enough to be disqualified for benefit. Others may not be strictly seeking work at the time of the survey, according to the ILO definition.

Changes over time

Figure 2 shows changes since 1980 in the gap between unemployment and the claimant count. The gap is concentrated among women, for whom unemployment is invariably greater than the claimant count, a reflection of the tendency for unemployed women to be ineligible for benefit more often than unemployed men. The gap for men varies much more and is often negative, especially at times of higher unemployment. It may appear that the gap for men is more affected by the economic cycle. However when the gap is expressed as a proportion of unemployment as shown in Figure 3, it can be seen that the relative variations

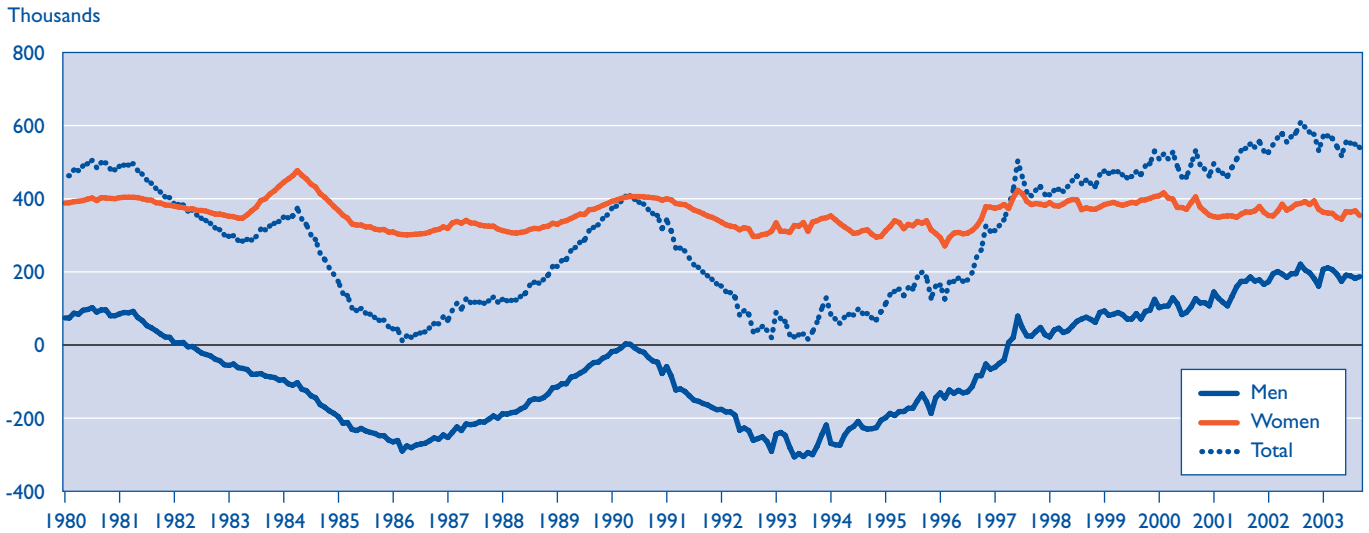
for men and women are similar, although the level of the difference is proportionately higher for women.

Analysis of differences

It is not presently possible to quantify the precise number of unemployed excluded from the claimant count or vice versa, because of long-standing difficulties in obtaining reliable answers from LFS respondents about whether they, or others in their household, are currently claiming Jobseeker's Allowance. The figures would, therefore, not be suitable for publication. ONS have nevertheless studied some of the data on changes from one quarter to the next in the status of people according to the LFS. This was to gain insight into the most substantial flows between different claimant and labour market categories (for example, inactive non-claimants who become unemployed non-claimants). While precise estimates cannot be given, analysis of the data is helpful in identifying the most likely causes of a widening or narrowing of the gap between unemployment and the claimant count.

A major reason for the divergence

Figure 2 Differences between the number of unemployed people and the claimant count; United Kingdom; 1980 to 2003



Source: Labour Force Survey; Jobcentre Plus administrative system

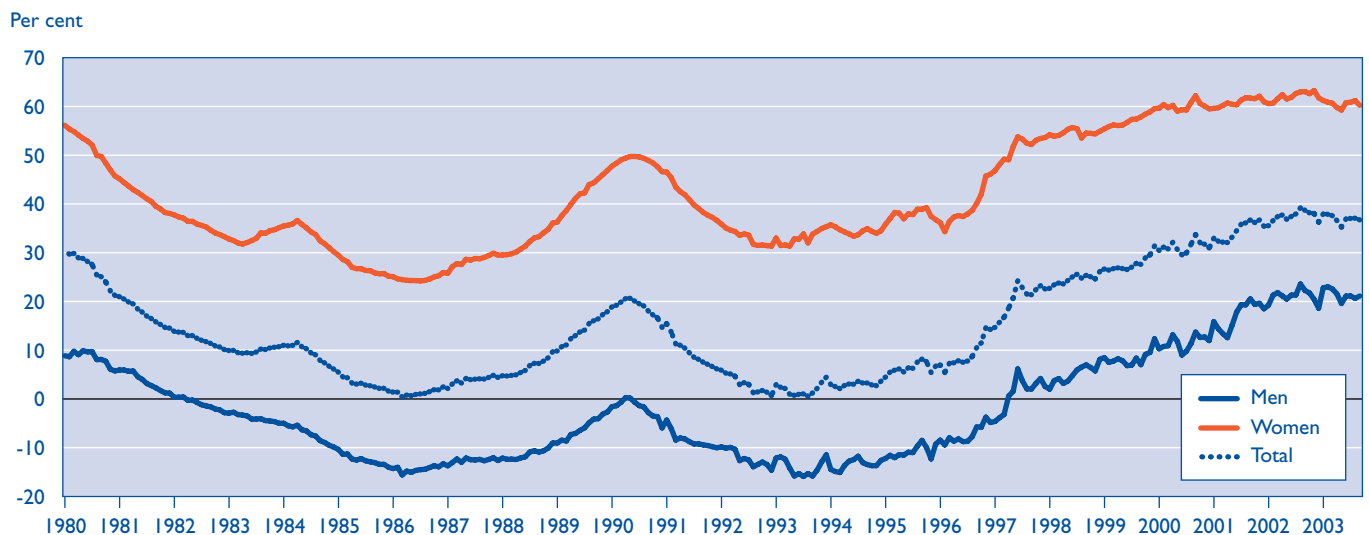
Note: for unemployment, survey data before 1984 were only available biennially, and from 1984 to 1992 they were only available annually. Where necessary the series has been interpolated between data points and adjustments made for discontinuities (see pp467-75, *Labour Market Trends*, September 2003). The interpolation has the artificial effect of making the data up to 1992 look smoother than for subsequent years.

between the two measures at times of lower unemployment is the flows from inactivity to unemployment. When the labour market improves, many people who may previously have perceived that few jobs were available, may start to look actively for work and therefore become classified as unemployed. However, they do not feature in the claimant count unless they also begin

to claim Jobseeker's Allowance. Conversely, when labour market conditions worsen, some existing unemployed people become discouraged and stop looking for work and are therefore no longer counted as unemployed, with the result that unemployment tends to rise more slowly than the claimant count. These phenomena seem to be particularly

important in explaining why there appears to be some cyclical variation in the gap between the measures, as illustrated by *Figure 3*. Another major influence on the gap between the two measures is from people becoming unemployed but not eligible for Jobseeker's Allowance, owing to their partner's earnings or other reasons mentioned earlier. Conversely, many

Figure 3 Differences between the number of unemployed people and the claimant count as a percentage of unemployment; United Kingdom; 1980 to 2003



Source: Labour Force Survey; Jobcentre Plus administrative system

Note: for unemployment, survey data before 1984 were only available biennially, and from 1984 to 1992 they were only available annually. Where necessary the series has been interpolated between data points and adjustments made for discontinuities (see pp467-75, *Labour Market Trends*, September 2003). The interpolation has the artificial effect of making the data up to 1992 look smoother than for subsequent years.

unemployed people who are not claiming benefits find work

The gap can also be affected by general changes in propensity to claim benefit or policy measures which encourage existing claimants to seek work. It is notable that there was a very sharp increase in the gap between unemployment and the claimant count around the end of 1996 and early 1997, which coincided with the introduction of Jobseeker's Allowance. A range of measures was introduced to encourage more successful job search, and checks to ensure that claimants were fulfilling the eligibility criteria were increased. It has been estimated that the introduction of Jobseeker's Allowance led to a difference of around 100,000 to 200,000 between the subsequent falls in the claimant count and unemployment, mainly as a result of a large number of employed or inactive claimants leaving the count (see pp195-203, *Labour Market Trends*, April 1998).

Table 1 summarises the main factors affecting the gap between the two measures, in approximate order of importance. This is not an exhaustive list of explanations. Other reasons exist but are comparatively minor according to analysis of the limited survey data available.

Conclusion

A major reason for the widening gap between unemployment and the claimant count over recent years has been that many people who were previously inactive in the labour market have been encouraged by the improvement in the economy to begin actively to seek work. They have thus become unemployed by definition, but because they have not been claiming Jobseeker's Allowance, they are still excluded from the claimant count. Another major factor affecting the gap between the two measures is the number of people becoming unemployed who are not eligible for Jobseeker's Allowance, for example because of their partner's earnings. Conversely there will also have been variations in the number of people unemployed, but not claiming benefits, who find work.

Table 1 Summary of main factors affecting the gap between unemployment and the claimant count

Factors widening the gap (for example, unemployment rising faster than the claimant count)

Inactive people who are not claiming Jobseeker's Allowance (and thus not in the claimant count) starting to look for work, and becoming unemployed according to the LFS, perhaps when they see the job market improve (they may not bother when they believe few jobs are available).

People becoming unemployed but not eligible for, or choosing not to claim, Jobseeker's Allowance (and thus not in the claimant count). For example, people with enough money, a spouse at work, and those leaving their job voluntarily.

Decreasing propensity among the unemployed (or others) to claim Jobseeker's Allowance.

Existing Jobseeker's Allowance claimants beginning to seek work. (While Jobseeker's Allowance claimants should actively seek work, some may not do so and thus would not count as unemployed in the LFS.)

Unemployed Jobseeker's Allowance claimants finding work for a few hours a week (fewer than 16 hours and not paid well enough to lose all benefits), and counting as employed according to LFS.

Employed claimants (for example, working for only a few hours per week and not losing benefits) finding more substantial work and thus ceasing to claim.

Factors narrowing the gap (for example, unemployment falling faster than the claimant count)

Unemployed people, who are not claiming benefits, moving into education, retirement etc, or just ceasing to look for work (perhaps when they perceive few jobs are available).

Unemployed people who are not claiming benefits finding work.

Increasing propensity among the unemployed (or others) to claim Jobseeker's Allowance.

Existing Jobseeker's Allowance claimants ceasing to seek work according to the LFS criterion.

Claimants employed for just a few hours a week (not enough to lose benefits) becoming unemployed.

Note: flows from 'employed non-claimant' status to 'employed claimant' status are rare.

Note: factors tending to widen the gap are listed in the left hand column. Their counterparts, the flows in the opposite direction tending to narrow the gap, are listed in the corresponding position in the second column. It is the combined balances between these respective flows (the net flows) which cause divergence or convergence of the two measures over time. The factors are listed in order of approximate magnitude according to the level of flows observed from recent unpublished LFS data (the first two rows describing by far the largest flows in either direction).

References

Lindsay, C. and Doyle P., 'Experimental consistent time series of historical Labour Force Survey data', pp467-75, *Labour Market Trends*, September 2003.

Sweeney K., 'The effect of Jobseeker's Allowance on the claimant count', pp195-203, *Labour Market Trends*, April 1998.

Further information

For further information, contact:

Andrew Machin,
Room B2/03,

Office for National Statistics,

1 Drummond Gate,

London SW1V 2QQ,

e-mail andrew.machin@ons.gov.uk,

tel. 020 7533 6162.